

# CHESLA

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CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

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**Testimony Presented to the  
Higher Education and Employment Advancement Committee  
and  
Banking Committee  
JOINT PUBLIC HEARING**

**March 5, 2015  
Concerning Governor's Bill No. 950  
"AN ACT ENABLING THE REFINANCING OF STUDENT LOANS"  
(In Support)**

**And Raised Bill No. 6907  
"AN ACT CONCERNING THE DUTIES AND AUTHORITY OF THE  
CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN  
AUTHORITY"  
(In Opposition)**

**Presented by  
Jeanette W. Weldon  
Executive Director, Connecticut Higher Education Supplemental Loan  
Authority ("CHESLA")  
Managing Director, Connecticut Health and Educational Facilities Authority  
("CHEFA")**

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Good afternoon Representatives Willis and Lesser, Senators Bartolomeo and Winfield and distinguished committee members. My name is Jeanette W. Weldon and I am here speaking on behalf of the Connecticut Higher Education Supplemental Loan Authority ("CHESLA", a subsidiary of the Connecticut Health and Educational Facilities Authority) to offer testimony supporting

Governor's Bill No. 950, "An Act Enabling the Refinancing of Student Loans" as an alternative to Raised Bill No. 6907, "An Act Concerning the Duties and Authority of the Connecticut Higher Education Supplemental Loan Authority".

CHESLA is a quasi-public agency that issues State supported bonds to fund education loans. Our mission is to expand higher education opportunities for students in or from the state of Connecticut by offering those students a cost-effective financing alternative that can augment their other sources of financial aid. CHESLA obtains funds to make education loans through the issuance of state supported bonds in the public bond market. CHESLA uses student loan repayments to pay debt service on its bonds.

Both Governor's Bill 950 and Raised Bill 6907 give CHESLA the additional ability to offer loans that will refinance a borrower's existing student loan debt. The provisions will allow a borrower to refinance an outstanding CHESLA loan or to refinance any other outstanding education loan if the borrower lives in Connecticut. These provisions will give borrowers the opportunity to take advantage of changing interest rate trends and lower their debt payments as a result, and we support these refinancing provisions.

A key distinction between Bill 950 and Bill 6907 is that 6907 proposes an interest rate cap on all student loans offered by CHESLA. While the intent of this restriction -- to keep student loan rates affordable -- is laudable, this approach would render our loan program unsustainable. CHESLA uses student loan repayments to pay debt service on the bonds it issues to fund its student loans. CHESLA offers fixed rate loans at a loan rate that reflects the

interest rate environment at the time we sell our bonds. The loan rate covers our costs, including our cost of funds, while also providing good value for the borrower. If the proposed cap on the student loan rate is imposed, loan repayments will be insufficient to cover costs and pay debt service on CHESLA's bonds. For that reason, we support Governor's Bill 950 as it is written. CHESLA has a long history of offering its borrowers loan rates that compare favorably to other market alternatives, and that has been achieved without a rate cap. Over the past 9 years, our loan rate has been on average 1.27 percentage points below the federal PLUS (Parent Loan for Undergraduate Students) rate. We are committed to continuing to offer a cost effective product to Connecticut students.

I thank the Committee for the opportunity to present this testimony and I would be happy to answer any questions you may have.